



OVERVIEW OF LAWS AND REGULATIONS

Insurance Consumer Protection

Consumer Protection for Depository Institutions Sales of Insurance

Executive Summary

The Consumer Protections for Depository Institution Sales of Insurance regulation (12 CFR 536) establishes strict consumer protections in connection with the retail sales of insurance products or annuities to consumers. It applies to any thrift institution or any other individual or entity (including subsidiaries or affiliates) selling, soliciting, advertising, or offering insurance products or annuities to a consumer at an office of or on-behalf of the institution.

Insurance or annuity sales activities are deemed to be “on-behalf of” an institution if at least one of the following applies:

- The person represents to a consumer that the sale, solicitation, advertisement, or a offer of any insurance product or annuity is by or on behalf of the thrift institution;
- The thrift institution refers a consumer to a seller of insurance products or annuities and the institution has a written contractual arrangement to receive commissions or fees derived from the sale; or
- Documents evidencing the sale, solicitation, advertising, or offer of an insurance product or annuity identify or refer to the thrift institution.

The major provisions of the regulation include prohibition of particular sales practices and disclosure requirements, to ensure insurance and annuity sales areas are physically segregated from those where retail deposits are accepted.

Sales practice prohibitions include, tying the availability of credit to the purchase of an insurance product or annuity, misrepresenting characteristics of insurance products or annuities and discriminating against victims of domestic violence. To prevent these inappropriate sales practices and to lessen confusion, the regulation mandates disclosures be made to consumers.

Two separate and distinct disclosures (except to the extent that the disclosure would not be accurate) required by the regulation are – *insurance and credit*. Insurance disclosures are required before the completion of the initial sale of any insurance product or annuity. Credit disclosures are required at the time the consumer applies for an extension of credit in connection with which an insurance product or annuity is solicited, offered, or sold. Generally, disclosures are made orally and in writing. The regulation also requires written acknowledgment from the consumer that disclosures were received.



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Finally, the regulation contains substantive requirements on advertising disclosures, qualification, and licensing of sales representatives, and teller referral fees.

Business Areas Impacted

- New Accounts/Customer Service
- Teller Operations
- Consumer Credit Operations
- Residential Lending Operations
- Insurance/Annuity Sales Operations
- Data Processing
- Training Coordinator
- Marketing



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Highlights:

REQUIREMENTS/RECOMMENDATIONS	TIME FRAME	DOCUMENT, RECORD OR REPORT
<p>Policy/Procedures</p> <p>Adopt a policy ensuring insurance or annuity sales activities meet enumerated regulatory obligations, institutional standards, and customer service.</p> <p>Establish and maintain comprehensive written procedures (task specific) and internal controls that ensure compliance with all regulatory requirements.</p>	Continuing	<p>Policy Statement</p> <p>Written Procedures</p>
<p>General Coverage</p> <p>A “covered” person is any:</p> <ol style="list-style-type: none">1. Savings association; or2. Individual, entity (including subsidiaries or affiliates) or third party vendor only when selling, soliciting, advertising, or offering insurance products or annuities to a consumer at an office of a savings association or on behalf of a savings association. <p>Note: Activities “on-behalf of” a savings association are found under Section 536.20 (Definitions) in the regulation.</p>	Continuing	<p>Written agreements with individuals or entities engaged in insurance or annuity sales “on behalf” of the institution.</p>
<p>Prohibited Practices</p> <p>Ensure that insurance and annuity sales practices comply with anti-tying, anti-coercion, and domestic violence discrimination prohibitions.</p>	Continuing	<p>Written procedures</p> <p>Sales representative scripts</p> <p>Internal monitoring and review</p> <p>Training materials</p>



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<p>Disclosure Requirements</p> <p>Ensure delivery of insurance and credit disclosures to a consumer in a readily understandable and meaningful form that calls attention to the nature and significance of the information provided. Content for disclosures is described in Section 536.40(a) and (b).</p> <p>Generally, disclosures must be made orally and in writing; however, the regulation specifies several exceptions for transactions by mail and telephone (See section 536.40 (c)(2) and (3)).</p> <p>Disclosures may be provided electronically:</p> <ul style="list-style-type: none"> • If the consumer expressly agrees to receive them electronically; and • If the disclosures are in a format the consumer can retain or obtain later. 	<p>Insurance disclosures must be made prior to the completion of the initial sale.</p> <p>Credit disclosures must be given at the time an application for credit is received, in connection with which an insurance product or annuity is offered or sold.</p> <p>Note time frames in Section 536.40 (c)(2) and (3) for providing disclosures in mail and telephone transactions.</p>	<p>Insurance disclosures</p> <p>Credit disclosures</p> <p>Loan applications</p> <p>Training programs and other guidelines to communicate and reinforce disclosure requirements</p> <p>Institution Web site</p> <p>Record retention guidelines</p>
<p>Consumer Acknowledgment</p> <p>Acknowledgments must be received from the consumer acknowledging receipt of insurance and/or credit disclosures. These can be written or electronic format.</p> <p>Oral acknowledgment is permitted for telephone transactions where disclosures are given orally, provided sufficient documentation is maintained showing the acknowledgment was received and reasonable efforts are made to obtain a written acknowledgment.</p>	<p>At the time the consumer receives the disclosures or at the time of initial purchase of an insurance product.</p> <p>At the time the disclosures are made.</p>	<p>Signed Acknowledgment</p> <p>Documentation showing oral disclosures provided and oral acknowledgment received</p> <p>Record retention guidelines</p> <p>Institution Web site</p>



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<p>Advertisements</p> <p>Ensure short form insurance disclosures are used in visual media advertisements as described in Section 536.40 (c) (5).</p> <p>Short form disclosures do not apply in the case of credit disclosures, which must be provided in full text.</p> <p>Disclosures are not required in advertisements and promotional material of a general nature (See section 536.40 (7) (d)).</p>	Continuing	<p>Advertising copy and promotional materials</p> <p>Institution Web site</p>
<p>Location of Sales Activities</p> <p>Identify the area in which insurance products or annuities are sold and clearly delineate and distinguish those areas from areas where retail deposit taking activities occur.</p>	Continuing	<p>Signage</p> <p>Office layouts</p>
<p>Qualifications/licensing and referral fees</p> <p>Sales representatives must be appropriately licensed and qualified under applicable state licensing standards and laws to sell specific insurance products or annuities.</p> <p>A one-time referral fee may be paid to association employees, such as tellers and in limited circumstances platform personnel, who routinely accept deposits from the public when they refer a consumer seeking to purchase an insurance or annuity product to a qualified, licensed sales representative. (See Section 536.50 (b))</p>	<p>Continuing</p> <p>Continuing</p>	<p>Documentation certifying the qualifications and licensing of sales representatives (e.g. personnel records)</p> <p>Compensation policies</p> <p>Accounting/payroll systems and records to track and report referral fees</p> <p>Training programs</p>



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<p>Consumer Complaints</p> <p>Ensure an effective process for handling, reporting, tracking and resolving consumer complaints derived from the sales activities of insurance products or annuities.</p>	Continuing	<p>Complaint and response documentation.</p> <p>Complaint Activity Database.</p> <p>Written reports</p>
<p>Updating</p> <p>Update policies, procedures, disclosures, and advertisements, as necessary to reflect changes in the regulation, internal systems, or operations. Ensure effective communication and distribution of updated material to all levels of personnel.</p>	Continuing	<p>All affected documentation</p> <p>Institution Web site</p>
<p>Record Retention</p> <p>Although the regulation does not address record retention standards, the association should retain sufficient documentation and information to support compliance with the disclosure and acknowledgment sections of the regulation.</p>	Two regular examination cycles	<p>Retain copies of disclosures</p> <p>Retain consumer's written acknowledgment</p>
<p>Training</p> <p>Provide training to management and line personnel whose duties are affected by the regulation. Provide appropriate background for the board of directors and senior management. Communicate policy and procedures to staff.</p>	Continuing	<p>Policies and Procedures</p> <p>Curriculum</p> <p>Training records</p>
<p>Monitoring</p> <p>Establish and implement standards and controls to supervise accurate execution of procedures and systems.</p>	Continuing	<p>Sales personnel disciplinary records</p> <p>Directives for managing insurance representatives</p> <p>Regular supervisory reports</p>



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<p>Self-Evaluation</p> <p>Establish and executing an internal review program emphasizing periodic self-assessment reviews of insurance or annuity sales activities for compliance with regulatory obligations and association standards.</p>	<p>Per Risk Schedule</p>	<p>Compliance Management Program</p> <p>Written reports (include deficiencies and corrective action)</p> <p>Audit reports</p> <p>Sales personnel performance evaluation</p>



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